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Co-Lead Counsel for Plaintiffs

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION

IN RE STEC, INC. SECURITIES
LITIGATION

Lead Case No.
SACV 09-01304-JVS (MLGx)

CLASS ACTION

This Document Relates To:

ALL ACTIONS

JOINT RULE 26(f) REPORT

Judge: Hon. James V. Selna
Ctm: 10C
Date: April 12, 2010
Time: 10:30 a.m.

1 Court-appointed Lead Plaintiffs Arman Rashtchi and Keith A. Ovitt
2 (collectively, “Lead Plaintiffs”) and Defendants STEC, Inc. (“STEC” or “the
3 Company”), Manouch Moshayedi, Mark Moshayedi, and Raymond D. Cook (the
4 “Individual Defendants”) (collectively, “Defendants”), by and through their
5 undersigned counsel, hereby file their Joint Report pursuant to Court order, Federal
6 Rule of Civil Procedure 26(f), and Local Rule 26-1.

7 A. Synopsis

8 Pursuant to the Court’s January 21, 2010 Order consolidating the related
9 actions and setting a briefing schedule (the “Consolidation Order”), Lead Plaintiffs
10 will file the Consolidated Complaint on or before April 9, 2010.¹ The initial
11 complaints filed in the underlying consolidated actions alleged violations of
12 Sections 10(b) and 20(a) of the Exchange Act of 1934 (“Exchange Act”) and
13 Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (“Securities Act”).² The
14 initial complaints allege that throughout the class period, Defendants issued a
15 series of materially false and misleading statements and/or omissions related to the
16 Company’s business and operations, including, but not limited to, the sales and
17 demand for STEC’s solid-state hard drive (“SSD”) and the ZeusIOPS SSD
18 (“Zeus”). Plaintiffs’ Exchange Act claims in the underlying actions were filed on
19

20
21 ¹ The consolidated actions include: *Jean v. STEC, Inc. et al.*, 8:09-cv-01304-JVS-
22 MLG (filed November 6, 2009), *Sakhai v. STEC, Inc. et al.*, 8:09-cv-01306-JVS-
23 MLG (filed November 6, 2009), *Greenwald v. STEC, Inc. et al.*, 8:09-cv-01315-
24 JVS-MLG (filed November 9, 2009), *Munter v. STEC, Inc. et al.*, 8:09-cv-01320-
25 JVS-MLG (filed on November 10, 2009), *Fischer v. STEC, Inc. et al.*, 2:09-cv-
26 08536-JVS-MLG (filed on November 19, 2009), *Weinberger v. STEC, Inc. et al.*,
27 8:09-cv-01460-CJC-RNB (filed on December 11, 2009).

28 ² In addition to Exchange Act violations, the complaint in *Sakhai v. STEC, Inc. et al.*, 8:09-cv-01306-JVS-MLG (filed November 6, 2009), also alleges violations of the Securities Act in connection with the Company’s August 2009 secondary offering.

1 behalf of all open market purchasers of STEC shares between June 16, 2009 and
2 November 3, 2009, inclusive. Defendants deny the allegations set forth in the
3 initial complaints.

4 On March 2, 2010, after this Court consolidated the initial complaints, a
5 related action was filed entitled *Meda v. STEC, Inc.*, SACV 10-00248 AG (ANx).
6 The *Meda* complaint asserts claims for violations of Sections 10(b) and 20(a) of
7 the Exchange Act of 1934 against the same defendants based upon substantially
8 identical factual and legal issues. Accordingly, on March 15, 2010, pursuant to the
9 Consolidation Order, Lead Plaintiffs filed an *ex parte* motion to consolidate the
10 *Meda* action with this case. As set forth in the motion to consolidate and
11 Plaintiffs' reply brief filed on March 18, 2010, based upon Lead Counsel's
12 extensive investigation, which began prior to the appointment of Lead Plaintiffs,
13 the Consolidated Complaint will assert claims on behalf of all investors who
14 purchased STEC stock during the period from June 16, 2009, through and
15 including February 23, 2010. On March 16, 2010, *Meda* filed an opposition to
16 Lead Plaintiffs' *ex parte* motion to consolidate. On March 18, 2010, Lead
17 Plaintiffs filed their reply. On March 24, 2010, Defendants filed a Memorandum
18 In Support of Lead Plaintiff's Ex Parte Motion To Consolidate. By Order dated
19 March 26, 2010, and pursuant to the Court's prior Consolidation Order, the *Meda*
20 Action was consolidated for all purposes.

21 B. Legal Issues

22 Lead Plaintiffs' Position:

23 With respect to the Exchange Act claims, the following issues are presently
24 known:

25 (i) Whether Defendants violated Section 10(b) of the Exchange Act by
26 making materially false and misleading statements or omissions during the Class
27 Period regarding the Company's business and operations, including the sales and
28

1 demand for STEC's SSD and Zeus products;

2 (ii) Whether Defendants' alleged materially false and misleading
3 statements and omissions were made with actual knowledge or with deliberate
4 recklessness;

5 (iii) Whether the damages allegedly suffered by Plaintiffs and members of
6 the Class resulted from Defendants' alleged misstatements;

7 (iv) Whether the Individual Defendants are liable as control persons under
8 Section 20(a) of the Exchange Act.

9 Defendants' Position:

10 Plaintiffs' consolidated complaint has not been filed, and is not due until
11 April 9, 2010. As a result, Defendants are not in a position to represent what legal
12 issues that pleading will raise.

13 C. Damages

14 The amount of damages will be subject to expert analysis and testimony.

15 Defendants' Position:

16 Defendants do not believe that Plaintiffs, or any class they purport to
17 represent, will be entitled to relief. Defendants agree that expert testimony will be
18 necessary to support any claim of damages.

19 D. Insurance

20 STEC has a primary policy with an aggregate limit of \$10 million and
21 excess policies with a total aggregate limit of \$30 million, for a total combined
22 aggregate limit of \$40 million. All insurance carriers have reserved their rights.

23 E. Motions

24 (i) Additional parties and claims may be added.

25 (ii) Lead Plaintiffs will file the Consolidated Complaint on or before April
26 9, 2010.

27 (iii) The parties do not intend to file any motions to transfer venue.

F. Discovery and Experts

Lead Plaintiffs' Position:

Pursuant to the Private Securities Litigation Reform Act (PSLRA), 15 U.S.C. § 78u-4(b)(3)(B), all discovery and other proceedings are stayed during the pendency of any motion to dismiss absent a finding that particularized discovery is necessary to preserve evidence or to prevent undue prejudice. Because of the discovery stay, no discovery has been conducted thus far. Once discovery commences, Lead Plaintiffs will conduct discovery on issues relating to the merits of this case and defenses. Lead Plaintiffs anticipate conducting 25-35 depositions of fact witnesses.

With respect to expert disclosures, Lead Plaintiffs propose the following schedule:

ACTION	DEADLINE OR DUE DATE
The Parties to Identify Subjects of Expert Testimony	Three weeks after close of fact discovery (4/30/12)
The Parties to Identify Any Rebuttal Subjects	Two weeks after identification of subjects of expert testimony (5/14/12)
The Parties to Exchange Expert Reports	Four weeks after the rebuttal subjects (6/11/12)
The Parties to Exchange Rebuttal Expert Reports	Four weeks after the exchange of Expert Reports (7/9/12)
Expert Discovery Ends	One week after rebuttal reports exchanged (7/16/12)
Deadline to File Motion(s) to Compel Expert Discovery	Two weeks after the end of expert discovery (7/30/12)

1 Defendants' Position:

2 As Plaintiffs recognize, a discovery stay under the PSLRA is in effect.
3 Plaintiffs' consolidated complaint has not been filed, and is not due until April 9,
4 2010. Defendants therefore propose that the parties meet and confer regarding
5 discovery and experts after there is a ruling in the case that lifts the discovery stay.

6 G. Dispositive Motions and Motions *In Limine*

7 No dispositive motions are currently pending. Presently, the parties are
8 unaware of any claims or defenses that may be determined by motions *in limine*.

9 H. Settlement and Settlement Mechanism

10 The parties believe that settlement discussions are premature at this time.
11 Should negotiations occur later in the action, the parties agree that private
12 mediation, consistent with L.R. 16-15.4 Settlement Procedure No. 3, would be an
13 appropriate method to attempt resolution of this case.

14 I. Trial Estimate

15 Lead Plaintiffs' Position:

16 Lead Plaintiffs estimate that approximately 20 days will be required for trial.
17 Plaintiffs have demanded trial by jury, and Lead Plaintiffs estimate calling 30-40
18 witnesses at trial, including experts.

19 Defendants' Position:

20 As Plaintiffs recognize, a consolidated complaint has not been filed, and is
21 not due until April 9, 2010. Defendants are thus not in a position to accurately
22 represent how long it would take to try this case.

23 J. Time Table

24 Please see attached Exhibit A.

25 Defendants' Position:

26 Because a consolidated complaint has not been filed, Defendants are not in a
27 position to create an accurate presumptive schedule of pretrial deadlines.

1 However, in accordance with the Court's February 26, 2010 Order, Defendants
 2 include a preliminary estimate of presumptive pretrial deadlines. Defendants
 3 reserve the right to request alterations to their suggested deadlines depending on
 4 future events in this case.

5 K. Other Issues

6 There are no additional outstanding issues at this time.

7 L. Conflicts

8 Defendants' Position:

9 STEC's subsidiaries include the following: STEC Bermuda L.P., STEC
 10 Electronics UK Ltd., STEC Europe B.V., STEC Germany GmbH, STEC GmbH,
 11 STEC Hong Kong Limited, STEC International Holding, Inc., STEC Italy S.L.R.,
 12 STEC Japan G.K., STEC Memory Technology Service (Shanghai) Company
 13 Limited, STEC R&D Limited, STEC Taiwan Holding Limited, STEC Technology
 14 Sdn. Bhd. STEC's affiliated entities include: MDC Land Corporation, MDC Land
 15 LLC, and QualCenter, Inc. STEC has no parents.

16 M. Patent Cases

17 Not applicable.

18 N. Magistrates

19 The parties do not consent to Magistrate Judge proceedings under 28 U.S.C.
 20 § 636.

21 Respectfully Submitted,

22
 23 DATED: March 29, 2010

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing document was filed through the ECF system and will be sent electronically to the registered participants as identified on the Notice of Electronic Filing (NEF), and paper copies will be sent to those indicated as non-registered participants on March 29, 2010.

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